



**Business & Industry  
(B & I)  
Loan Guarantees**

**Eligible Purposes**

Rural Development can guarantee quality loans made by private lenders to business and industry involving manufacturing, wholesale, retail and services. Projects must involve the creation and/or saving of jobs. The purpose need not be agriculturally related. Loan purposes can include real estate, machinery and equipment, or term working capital.

**Ineligible Purposes**

Charitable institutions; churches and fraternal organizations; lending and investment institutions; insurance companies; agriculture production, race tracks, golf courses, and revolving lines of credit.

**Eligible Applicants**

Individual, sole proprietorship, partnership, corporation, cooperative, trust or other legal entities organized on a profit or non-profit basis, a municipality, county or other political subdivision of a State.

**Eligible Areas**

Incorporated communities which have under 50,000 population and are not adjacent to urban areas. Check applicant location eligibility at

<http://eligibility.sc.egov.usda.gov/eligibility/welcomeAction.com>

**Eligible Lenders**

An eligible lender is any Federal or State chartered bank, Farm Credit Bank, other Farm Credit System institution with direct lending authority, Bank for Cooperatives, Savings and Loan Association, or Mortgage Company that is part of a bank-holding company.

**Borrower's Equity**

A new start-up business must have proforma tangible balance sheet equity of 20 percent (appraisal surplus and subordinated debt will not be included as equity items). Existing businesses with a history of proven successful operations must have a minimum of 10 percent tangible balance sheet equity. Larger amounts may be required. For energy projects, the

minimum tangible balance sheet equity requirement range will be between 25 percent and 40 percent.

**Maximum Loan, Rates & Terms**

Maximum of \$25,000,000 (\$40,000,000 under limited circumstances). Interest rates (fixed or variable) and terms (maximum 30 years) are negotiated between the lender and borrower subject to approval by Rural Development. Generally, personal guarantees will be required.

**Collateral**

The collateral for the loan must be sufficient to protect the interest of the lender and USDA. The discounted collateral value must be at least equal to the loan amount. Exceptions could be considered for businesses which are primarily cash flow oriented and the cash flow is supported by a successful and documented financial history.

**Guarantee**

The maximum percent of guarantee is normally eighty percent (80%). A one-time guarantee fee, equal to two percent (2%) of the guaranteed portion of the loan, is due at the time the guarantee is issued. For guarantees approved in FY 08, a Renewal Fee of ¼% will be charged on the guaranteed portion of the principal balance of 12-31 of each year.

**Inquiries**

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